

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0949-03
Bill No.: HB 359
Subject: Housing; Revenue Department; Taxation and Revenue.
Type: Original
Date: April 6, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$114,030 to Unknown)	(\$57,760 to Unknown)	(\$59,280 to Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$114,030 to Unknown)	(\$57,760 to Unknown)	(\$59,280 to Unknown)

* Would exceed \$100,000 annually

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state the legislation proposes to give a tax credit of \$5,000 to anyone that builds a universal home. The DED will have to issue the credits after ensuring that a unit has qualified under the guidelines established in the legislation. In addition, the DED will have to design forms, promote the program, coordinate information with DOR, track the credits, answer questions, and conduct other administrative duties associated with this new tax credit.

The DED assumes that there will be an undetermined amount of credits issued. Impact is unknown but has been estimated as follows. According to the US Census Bureau, 19.2% of Missouri's population qualifies as disabled. Housing starts averaged around 24,500 for the past two years. Assuming the number of new homes that are universal homes is proportionate to the percentage of disabled in the general population, $(19.2\% \times 24,500)$ 4,704 homes at \$5,000 each would be possible. The DED has no idea of how many credits would be claimed and therefore would project the impact as unknown. The projected range would be \$0 to \$23,520,000 per year. The DED assumes the need for one Economic Development Incentive Specialist I (at \$30,204 annually) plus related costs to administer the program.

Officials from the **Department of Revenue (DOR)** state that depending upon DED's estimate there could be up to 4,704 taxpayers eligible for the tax credit. Therefore, DOR will not request additional FTE at this time. However, if the Department of Economic Development is incorrect in their assumption, the Department will need one Temporary Tax Season Employee for every 75,000 additional credits and one Tax Processing Tech I for every 30,000 additional errors generated by this credit. Any FTE needed will be requested during the normal budget process.

The DOR states this legislation will require modifications to the individual income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$46,170. Modifications to the income tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 10 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 15 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to

ASSUMPTION (continued)

this proposal would be \$615, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Budget and Planning** state the Department of Economic Development is better suited to respond to this proposal.

Officials from the **Department of Labor and Industrial Relations** and the **Governor's Council on Disability** each assume the proposal would not fiscally impact their respective agencies.

The **State of Kansas** offers a Disabled Access Credit to taxpayers who make their property accessible to the disabled. The property must either be a personal residence located in Kansas or an existing building, facility, or equipment located in Kansas and used in a trade or business. In fiscal years 1999 and 2000, Kansas had 73 and 46 claims respectively, for a total credit available of \$321,000 and \$127,000 respectively.

With a \$5,000 credit amount, **Oversight** assumes 100 claims in a year would total \$500,000 in reduced revenue to the state. Oversight is unable to estimate the number of universal design homes that may be built in Missouri and receive the available credit, but assumes the number could potentially be high, since the credit is not limited to people with disabilities and the available credit is large enough for home builders to make slight modifications to their new construction homes in order to qualify. Based upon the program in Kansas, Oversight assumes the total credits would exceed \$100,000 each year, but could potentially be much higher.

FISCAL IMPACT - State Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

GENERAL REVENUE FUND

RAS:LR:OD (12/00)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs</u> - Tax credit for building lifetime homes	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Costs</u> - Department of Revenue Programming charges	(\$55,177)	\$0	\$0
<u>Costs</u> - Dept. of Economic Development			
Personal Service (1 FTE)	(\$25,799)	(\$31,733)	(\$32,526)
Fringe Benefits	(\$8,599)	(\$10,577)	(\$10,841)
Expense and Equipment	<u>(\$24,455)</u>	<u>(\$15,450)</u>	<u>(\$15,913)</u>
Total Costs - DED	(\$58,853)	(\$57,760)	(\$59,280)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(\$114,030 to <u>Unknown</u>)	(\$57,760 to <u>Unknown</u>)	(\$59,280 to <u>Unknown</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

A fiscal impact to small businesses who design, build, or purchase homes would be expected as a result of this proposal.

DESCRIPTION

This proposal authorizes an income tax credit for building universal design residential homes.

The one-time credit will be equal to \$5,000 for any home built which meets standards related to the home's entry and access to parking, door handles, hallways, interior doors, and kitchen, bathroom and laundry size.

Builders of qualified structures must submit an application to the Department of Economic Development for certification of the tax credit before applying the credit to tax liability.

DESCRIPTION (continued)

The credit will apply to tax year 2001 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Economic Development
Office of the Secretary of State
Office of Administration - Budget and Planning
Governor's Council on Disability
Department of Labor and Industrial Relations

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director

April 6, 2001